



Andrew Garrett, Inc.  
Reg BI Firm Disclosure Brochure  
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**Section 1: DESCRIPTION:**

The purpose of this brochure (“Firm Disclosure Brochure) is to disclose the material facts relating to the scope and terms of a retail customer’s relationship with Andrew Garrett, Inc., (“ANDG or the “Firm”) and your Financial Professional (“FP”). These include, but are not limited to:

- The investment philosophy of Andrew Garrett, Inc. and your FP.
- The role of your FP and any limitations on the type and scope of services he/she may provide.
- The services, investments, and types of accounts offered.
- The costs associated with the services, investments and types of accounts.
- The risks associated with each type of investment.



- The conflicts of interest Andrew Garrett, Inc. and your FP will have as it relates to providing these services, investments and types of accounts.

When your FP makes a recommendation to you regarding any securities transaction or investment strategy involving securities (including account recommendations and rollover/transfer of assets), he/she will be providing the recommendation in your best interest at that specific time, without placing his/her financial or other interest ahead of your interest.

This Disclosure Brochure is to help you in obtaining all the facts needed when deciding what type of account(s) you want to open and the investments and services you need to obtain your investment objectives and goals. This Brochure is here for you to refer to each time you are evaluating a new investment or account decision.

## **Section 2: INVESTMENT PHILOSOPHY:**

The process by which Andrew Garrett's and its Financial Professionals develop their investment recommendations to retail customers is of fundamental importance to your understanding of what services are being provided, and whether those services are appropriate to your needs and goals. Andrew Garrett's philosophy is to provide their Financial Professionals with access to a diverse array of investments to support all clients' risk profiles. We review our investment distributors to ensure the investments they offer are managed by experienced, cost conscious, and financially/organizationally strong companies. An important component of our investment philosophy involves performing extensive due diligence on investment distributors as it relates to the following:

- The financial and organizational strength (years in the business, assets under management, depth of management, any recent (or near future) major organizational changes)
- The key personnel and their background, qualification, experience, track record, tenure, and their reliance on specific key employee(s)
- The investment methodology they follow, (for example with mutual funds, their portfolio turnover rates, risk tolerance levels, models used/indicators tracked, how buy/sell decisions are made, as well as the performance of the investments (net of fees); and, the compliance with securities laws and in addition the review of litigation and/or criminal convictions involving them, their principals and portfolio managers within the last ten years.

Your FP's investment strategy is to analyze the available investments and account types and provide best interest investment and account recommendations based on your personal investment objectives and goals, time horizon, risk tolerance, financial situation, needs and personal circumstances. He/she knows the importance of informing you of all conflicts of interest and mitigating any which would potentially influence him/her to put their interests ahead of yours.



He/she will help you with setting realistic expectations about the long-term performance and associated risks of each type of investment.

If there are elements of your FP's investment philosophy that are not addressed in this Brochure, your FP will supplement this Disclosure Brochure with information detailing his/her own investment approach.

### **Section 3: RISKS:**

You should carefully consider your risk tolerance, time horizon, and financial objectives before making investment decisions. By investing, you run the risk of losing money or losing buying power (where your money does not grow as fast as the cost of living). Risk can be classified into many different categories, and by knowing those categories you can better manage expectations and avoid or reduce certain kinds of risk.

Andrew Garrett believes that any discussion about risk needs to include the risks that a retail customer ought to consider personally, as well provide an understanding of various types of market risks in general. Our goal is for you to make an informed decision regarding your investments, and before you choose to invest with us, we suggest considering the following areas of importance in your own decision-making<sup>1</sup>:

- **Draw a personal financial roadmap.** Before you make any investing decision, sit down and take an honest look at your entire financial situation.
- **Evaluate your comfort zone in taking on risk.** All investments involve some degree of risk. If you intend to purchase securities - such as stocks, bonds, or mutual funds - it's important that you understand before you invest that you could lose some or all your money. Unlike deposits at FDIC-insured banks and NCUA-insured credit unions, the money you invest in securities typically is not federally insured. You could lose your principal, which is the amount you've invested. That's true even if you purchase your investments through a bank.

The reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long-time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals. The principal concern for individuals investing in cash equivalents is inflation risk, which is the risk that inflation will outpace and erode returns over time.

- **Consider an appropriate mix of investments.** By including asset categories with investment returns that move up and down under different market conditions within a portfolio, an investor can help protect against significant losses. Historically, the returns

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<sup>1</sup> These 8 areas of importance for decision-making are from  
<https://www.sec.gov/investor/pubs/tentinghtsconsider.htm>



of the three major asset categories – stocks, bonds, and cash – have not moved up and down at the same time. Market conditions that cause one asset category to do well often cause another asset category to have average or poor returns. By investing in more than one asset category, you'll reduce the risk that you'll lose money and your portfolio's overall investment returns will have a smoother ride. If one asset category's investment return falls, you'll be able to counteract your losses in that asset category with better investment returns in another asset category.

In addition, asset allocation is important because it has major impact on whether you will meet your financial goal. If you don't include enough risk in your portfolio, your investments may not earn a large enough return to meet your goal. For example, if you are saving for a long-term goal, such as retirement or college, most financial experts agree that you will likely need to include at least some stock or stock mutual funds in your portfolio.

- **Be careful if investing heavily in shares of employer's stock or any individual stock.** One of the most important ways to lessen the risks of investing is to diversify your investments. It's common sense: don't put all your eggs in one basket. By picking the right group of investments within an asset category, you may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.
- **Consider dollar cost averaging.** Through the investment strategy known as "dollar cost averaging," you can protect yourself from the risk of investing all your money at the wrong time by following a consistent pattern of adding new money to your investment over a long period of time. By making regular investments with the same amount of money each time, you will buy more of an investment when its price is low and less of the investment when its price is high. Individuals that typically make a lump-sum contribution to an individual retirement account either at the end of the calendar year or in early April may want to consider "dollar cost averaging" as an investment strategy, especially in a volatile market.
- **Consider rebalancing your portfolio occasionally.** Rebalancing is bringing your portfolio back to your original asset allocation mix. By rebalancing, you'll ensure that your portfolio does not overemphasize one or more asset categories, and you'll return your portfolio to a comfortable level of risk.

If you would like additional information, a more in-depth discussion of these and other risk considerations can be found at <https://www.sec.gov/investor/pubs/tentingstoconsider.htm>.

In addition to the personal risk considerations discussed above, Andrew Garrett believes it is important for you to understand the risks associated with each recommendation and investment type available. The following is a summary of the risks associated with investing. Please note



that this list is not exhaustive, and is provided as an indication of the factors that can impact the value of your investments:

### **Market risk**

You may experience losses due to factors affecting the overall performance of the financial markets. Stock market bubbles and crashes are good examples of heightened market risk. You can't eliminate market risk; however, you can minimize the impact through diversification.

### **Inflation risk**

Inflation risk, also called purchasing power risk, is the chance that the cash flowing from an investment today won't be worth as much in the future. Changes in purchasing power due to inflation may cause inflation risk. There are investments that help minimize inflation risk.

### **Liquidity risk**

Liquidity risk arises when an investment can't be bought or sold quickly enough to prevent or minimize a loss. You can minimize this risk to a good extent by diversifying. A good option is index investing where risk is diversified over the various stocks held in a portfolio tracking a particular index.

### **Currency risk**

This is the risk of losing money because of a movement in the exchange rate. For example, if the U.S. dollar becomes less valuable relative to the Canadian dollar, your U.S. stocks will be worth less in Canadian dollars. This applies when you own foreign investments.

### **Concentration risk**

This is the risk of loss because your money is concentrated in one investment or type of investment. When you diversify your investments, you spread the risk over different types of investments, industries and geographic locations.

### **Credit risk**

This is the risk that the government entity or company that issued the investment will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity. Credit risk applies to debt investments such as bonds. You can evaluate credit risk by looking at the credit rating of the bond or the manager. For example, long-term U.S. government bonds have a credit rating of AAA, which indicates the lowest possible credit risk.

### **Reinvestment risk**

This is the risk of loss from reinvesting principal or income at a lower interest rate. Suppose you buy a bond paying 5%. Reinvestment risk will affect you if interest rates drop and you have to reinvest the regular interest payments at 4%. Reinvestment risk will also apply if the bond matures and you have to reinvest the principal at less than 5%. Reinvestment risk will not apply if you intend to spend the regular interest payments or the principal at maturity.



### **Horizon risk**

This is the risk that your investment time horizon may be shortened due to a foreseen or unforeseen event, thus requiring you to sell the investment(s) that you were expecting to hold for a longer term. If you must sell at a time when the markets are down, you may lose money.

### **Interest Rate risk**

This is the risk that can affect your bond's value or other fixed-income investments you may purchase. When interest rates rise, the market value of bonds fall. When interest rates fall, the market value of bonds rise. Thus, if you purchased a bond (for a \$1,000 for example) at a specific interest rate (3% for example) then the interest rates rise (4% for example), your bond will not be appealing since newer bonds (of \$1,000 for example) will have a higher rate of interest and those investors will receive more interest for the same priced bond as yours. To sell your bond, its price will go through a market value adjustment (price reduction) to make it comparable to the newer bonds to make up for the interest difference.

### **Business risk**

This is the risk where the strength of the company that you are buying a piece of ownership in (stock for example) or that you are loaning money to (a bond for example) effects your potential returns. Your returns from the stock purchase or bond purchase are influenced on factors like if the company goes out of business, or goes into bankruptcy, or has a viable and strong revenue stream from the service/products they sell that is not over-shadowed by exuberate expenses. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

### **Foreign Investment risk**

This is the risk of loss when investing in foreign countries. When you buy foreign investments, for example, the shares of companies in emerging markets, you face risks that do not exist in the United States, for example, the risk of nationalization.

In [\*\*Section 8: Investments\*\*](#), you will be able to review various risks associated with specific investment types and be guided to other sources which will be able to describe specific risks associated with specific investments you are considering. Your FP will discuss these risks with you and answer any questions you may have.

### **Section 4: CONFLICTS OF INTEREST:**

Andrew Garrett, like every financial services company – has conflicts of interest. While many of these conflicts can be avoided, there are some conflicts that are unavoidable. For example, both Andrew Garrett, Inc. and its FPs are compensated for the services we provide, and this presents an inherent conflict of interest. As you work with your FP to determine the right investments and services to achieve your investment goals, it is important for you to understand how its FPs for brokerage services, in addition to some of our other related conflicts of interest, in order to



provide you with the material facts related to these conflicts. Andrew Garrett, Inc. and your FP are compensated and have all the material facts related to the scope and terms of Andrew Garrett's and your FP's relationship with you. The information contained in this brochure describes conflicts of interest associated with compensation received by Andrew Garrett, Inc and your FP make money because we are either compensated directly by you, or indirectly from the investments purchased by you. Andrew Garrett offers a range of investments and services to our clients, and when you purchase a brokerage product, you will usually pay a sales commission, which may be paid at the time of purchase, or may be built into the expense of the product purchased or may be charged to you when you sell the investment. If we are paid an upfront commission, it means that the more transactions, the more we are paid. Andrew Garrett, Inc is paid by the product company or its affiliates, with a portion of that payment going to your FP based upon an established compensation formula that is uniform regarding similar products. Sales charges, expenses and commissions paid to Andrew Garrett, Inc, differ with the type of investment and may depend on the amount of money you invest. Andrew Garrett, Inc may also receive ongoing or continuing compensation, sometimes referred to as a 12b-1 fees, trailing commissions or trails that are intended to compensate the Firm for marketing and services provided to your FP and you. These 12b-1 fees are deducted from the total assets in a fund and may reduce investment returns.

Please note that not all the conflicts described in this brochure apply to an Andrew Garrett, Inc. Financial Professional or his/her services and the investments we sell, and the types and amounts of compensation we receive, change over time. You should ask your FP any questions you have about compensation or conflicts of interest. Please also visit Andrew Garrett's disclosure web page for more information on this topic, such as the compensation we receive from product sponsors and the related conflicts of interest. Andrew Garrett Inc., furthermore, provides both advisory and brokerage services, and discloses conflicts of interest related to its advisory programs in various Form ADV disclosure brochures, available on the disclosure's webpage stated above.

## **Section 5: FINANCIAL PROFESSIONAL:**

Your FP is a registered representative of Andrew Garrett, Inc, a broker-dealer, and is registered through the Financial Industry Regulatory Authority ("FINRA") to sell and service investment products. Your FP is licensed as a Series 7 financial professional.

- **The Series 7** license is a securities license entitling a registered representative of a broker-dealer to sell all types of securities products and investments (i.e. stocks, ETFs, options, bonds and other individual fixed income investments, annuities, mutual funds). Holders of the Series 7 license are not permitted to sell commodities, futures or life insurance.
- **The Series 65 license**, known as the Uniform Investment Adviser Law Examination, qualifies individuals to provide investing and general financial advice to clients. Passing the Series 65 exam qualifies individuals as Investment Advisor Representatives



- **The Series 66 license** qualifies an individual as investment advisor representatives or securities agents. The Series 66, also known as the Uniform Combined State Law Examination, covers topics relevant to providing investment advice and effecting securities transactions for clients
- **Life Insurance license**, the life and health insurance license authorize you to sell life insurance and health insurance but does not expand to auto, home, title or property & casualty lines. These other types of insurance will have their own licensing exams and requirements as made necessary by the state.

Your FP will explain what products he/she is able to sell, and you can log onto FINRA's Broker Check, <https://brokercheck.finra.org/> to review your FP's licenses and financial industry background as well.

Please also refer to Andrew Garrett's [Form CRS](#) to learn more about the Firm.

## **Section 6: SERVICES:**

Your relationship begins with your FP working with you to identify your investment profile (investment goals and objectives, as well as risk tolerance). The FP will then develop a recommendation(s) designed to complement your financial situation, needs and personal circumstances, and the recommendation will be in your best interest.

Depending on your needs and investment objectives, your FP will provide services through a brokerage relationship, investment advisory relationship or both. There are important differences between these relationships as it relates to types of services and accounts, such as the following:

- **Brokerage services** is where your FP and Andrew Garrett (as a broker-dealer under FINRA) will facilitate the execution of investment transactions based on your instructions for a commission. Value added services your FP offers are investment education, research, financial tools, and personalized guidance such as recommendations. These recommendations, which will be in your best interest at the time presented and based on your investment goals, objectives, and risk tolerance, are focused on items such as whether to buy, sell or hold a security(ies), what type of brokerage account to open (taxable, qualified), and if you should transfer/rollover assets from another account like a retirement plan account. Your FP will not be providing ongoing monitoring of your account(s) portfolio, so it is important for you to review your account(s) regularly and communicate with your FP whenever you have questions, or if your financial situation, needs or personal circumstances change.
- **Advisory services** are where your FP and Andrew Garrett Inc., a SEC Registered Investment Advisor under the Investment Advisers Act of 1940 (and as a fiduciary) provides ongoing investment advice and monitoring service of your account(s) for a fee. This service may be on a discretionary basis, which means that you do not need to direct your FP to make trades, rebalance your portfolio or make other investment decisions for



- your account. Other services your FP can provide are financial planning, non-discretionary consultation, and advice on the selection of professional asset managers.

This Disclosure Brochure is focused on describing a brokerage service relationship to you. However, when evaluating which type of relationship is best for you, here are some questions you might want to think about and ask your FP:

- Do you want or need someone to manage your account(s)?
- Or do you want to make all your investment decisions & only receive advice when you ask for it?
- Do you want someone to monitor your account(s) and provide ongoing investment advice?
- Or do you just want someone there if you have a question about your account or an investment?
- Do you have an active investment strategy of wanting to buy/sell when any type of financial or economic situation or opportunity presents itself?
- Or do you have a passive investment strategy of buy-and-hold for a long period of time and not influenced by financial or economic swings?
- Do you mind paying an ongoing fee for your FP's services?
- Or do you just want to pay a commission to your FP for each transaction he/she helps you with?

In addition to the questions above, Andrew Garrett's FORM CRS contains several "Conversation Starters" that you can use as discussion points with your FP to be as informed as possible in determining what services are right for you. It is our goal for you to be as informed as possible regarding your investment options, and both Andrew Garrett, Inc and your FP are available to explain our services in greater detail should you need any further information.

## **Section 7: ACCOUNTS:**

Your FP offers different types of accounts based on the owner(s) of the account and if the account receives special tax treatment (Qualified accounts) or not (Non-Qualified or Taxable):

- ***Non-Qualified Account*** – Is an account that does not receive preferential tax treatment. The investments you buy in this account are paid with after-tax money. When you withdraw money from this account, you only pay tax on the realized gains (i.e. interest, appreciation, etc.). Here are some different types of non-qualified accounts:
- ***Individual*** – Is an account for one person and that person has complete control of the account.
- ***Joint*** – Is an account for two or more people who each have control of the account.



- **Custodial (also Guardian, Minor or Conservator)**- Is an account held in the name of a minor, usually by a parent, legal guardian or another relative. They can invest the assets for the minor's benefit.
- **Trust** – Is an account for holding the assets of a trust, a legal entity, managed by a trustee for the beneficiaries. The trustee is designated to perform fiduciary responsibilities, such as trading and movement of assets.
- **Estate** – Is an account opened to manage the assets of a decedent's estate, prior to the distribution of assets to the estate beneficiary(ies).
- **Sole Proprietorship** – Is an account for an owner-only company (owner, owner/spouse, partners only...no common law employees).
- **Qualified Account** – Is an account that is most known as a retirement account and it receives certain tax advantages when the money is deposited into them. The taxation of contributions into the account and of earnings from the investments can be delayed as taxable income until they are withdrawn {tax-deferral}. Here are some different types of qualified accounts:
- **Traditional Individual Retirement Account (IRA)** – Is an account that allows individuals to direct pre-tax income toward investments that can grow tax-deferred. Individual taxpayers can contribute 100% of any earned compensation up to a specified maximum dollar amount. Income thresholds may also apply.
- **Roth Individual Retirement Account (Roth IRA)** – Is an account that allows you to withdraw your savings tax-free. This account is funded with after-tax dollars and the contributions are not tax-deductible. But once you start withdrawing funds, the money is tax-free.
- **Spousal Individual Retirement Account (Spousal IRA)** – Is an account set up by a working spouse and allows him/her to contribute to the account which is in the name of a non-working spouse with no income or very little income. The working spouse's income, however, must equal or exceed the total IRA contributions made on behalf of both spouses.
- **Beneficiary Individual Retirement Account (Beneficiary or Inherited IRA)** – Is an account that you inherited from an account owner of an IRA after he/she died. You will be required to take distributions from the account based on your relationship to the deceased account owner.
- **Simplified Employee Pension Individual Retirement Account (SEP IRA)** – Is a Traditional IRA set up and contributed to by small-business owners for themselves and their employees. The contributions are tax-deductible, and the investments grow tax-deferred until retirement when distributions are taxed as income.
- **Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA)** – Is an IRA set up by small-business owners (with 100 or fewer employees) for themselves and their employees. Both the owner and employees can



contribute to the account and the contributions are tax-deductible. The investments grow tax-deferred until retirement when distributions are taxed as income.

- ***Guardian/Minor Individual Retirement Account (Guardian/Minor IRA)*** – Is an account held in the name of a legal guardian or parent on behalf of a child or other minor under the age of 18-21 (depending on state legislation), or an individual who is incapable of handling their own finances due to a physical or mental disability.
- ***College Savings Plan Account (529)*** – This is a college savings account that offers tax and financial aid benefits. The contributions are done on an after-tax basis while it has tax-advantages in terms of tax-free growth and tax-free distributions on specific types of distributions. Some states also offer state income tax incentives for contributions into the specific state's 529 plan. 529s may be used to save and invest for K-12 tuition in addition to college costs. There are two types of 529 plans: college savings plans and prepaid tuition plans. Almost every state has at least one 529 plan. There is also a 529 operated by a group of private colleges and universities.
- ***Health Savings Account (HSA)*** – This is a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance, and some other expenses, you may be able to lower your overall health care costs. You must be part of a high deductible health plan to set up and contribute to an HSA.
- ***Coverdell Education Savings Account (ESA)*** – Formerly called Education IRA, this is a trust or custodial account designed to help people save money for education. This account works very much like a 529, offering tax-free investment growth and tax-free withdrawals when the funds are spent on qualified education expenses. In addition to college expenses, certain K-12 purchases are also considered qualified when using an ESA.
- ***Individual 401(k) Plan / Solo Defined Benefit Plan*** – Are retirement plan accounts for an owner-only company (owner, owner/spouse, partners only...no common law employees).

These account types are offered in a brokerage service relationship and advisory service relationship. They also are offered in multiple programs which Andrew Garrett, Inc. has available to your FP to work through. These programs will be discussed in [Section 9: Platforms](#) .

## **Section 8: INVESTMENTS:**

Andrew Garrett and your FP offer various types of investments in the different types of accounts described in [Section 7](#) based on the specific Platform (further described in [Section 9: Platforms](#)) you have chosen for your account(s). These investments are securities, a portfolio of securities or a contract issued by an insurance company, which can be readily transferred or sold for cash. Below are descriptions of the different types of investments we offer. To review the different types of risk, go to [Section 3](#)



- **Stock** – Also known as ‘shares’ or ‘equity’, implies owning a proportionate amount of a company that issued the stock. It entitles the stockholder (you) to that proportion of the company’s assets and earnings.
  - Primary Risks: Market, Business, Concentration, Currency, Foreign Investment
- **Bonds** – Is a fixed income investment that represents a loan by you (the investor) to a borrower (typically a company or governmental).
  - Primary Risks: Inflation, Credit, Reinvestment, Interest Rate, Liquidity
- **Notes** – Is a fixed income investment where you (the investor) purchase a secured debt (or other assets) and become the lender, after which you receive payments (principal and interest) over a specific period (usually a short time period then bonds) from the borrower.
  - Types:
    - Principal Protected Note (PPN) - is a fixed-income security that guarantees a minimum return equal to the investor's initial investment (the *principal* amount), regardless of the performance of the underlying assets.
    - Non-Principal Protected Note (NPPN) – is a fixed-income security that does not guarantee a minimum return equal to the investor's initial investment (the *principal* amount), because it allows clients to customize the date of return to suit their investment needs. ... NPPNs can be linked to a variety of underlying investments including indices, single stocks, portfolios of shares, industry sectors, commodities and currencies.
  - Main risks: Inflation, Credit, Reinvestment, Interest Rate, Liquidity
- **Certificate of Deposit (CD)** – is a fixed income investment where you (the investor) deposits a sum of money for a specified period and you will receive either a specific rate of interest or a rate of interest linked to an index with a capped gain. Certain CDs can be FDIC insured.
  - Main risks: Inflation, Credit, Reinvestment, Interest Rate
- **Unit Investment Trust (UIT)** - is a U.S. financial company that buys or holds a group of securities, such as stocks or bonds, and makes them available to investors as redeemable units. UITs have a stated expiration date based on what investments are held in its portfolio; when the portfolio terminates, investors get their share of the UIT's net assets. UITs aren't actively traded, meaning securities aren't bought or sold unless there's a change in the underlying investment, such as a corporate merger or bankruptcy.
  - Main risks: Liquidity, Market



- **Exchange Traded Fund (ETF)** - is a basket of securities that *trades* on an *exchange (open stock market)*, just like a stock and often tracks an underlying index. *ETF* share prices fluctuate all day as the *ETF* is bought and sold; this is different from *mutual funds* that only *trade* once a day after the market closes.
  - Main risks: Market, Concentration, Currency, Foreign Investment, Liquidity
- **Mutual Fund** - is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities. Mutual funds give small or individual investors easier access to diversified, professionally managed portfolios. Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek. Mutual funds charge annual fees (called expense ratios) and, in many cases, commissions, which can affect their overall returns.
  - **Closed-end:** When a closed-end fund starts, the company raises a set amount of money and issues a specific number of shares. No new shares are created after that point. Investors can buy the fund shares only on the secondary market, from someone else who is selling shares. They can be traded at any time of the day when the market is open. The shares reflect market values rather than the net asset value of the fund itself.
  - **Most mutual funds** offer you different types of shares, known as "classes." Each class invests in the same portfolio of securities and has the same investment objectives and policies. But each class has different shareholder services and/or distribution arrangements with different fees and expenses.
  - **Open-end:** With an open-end fund, if you want to buy shares, the management company will sell them to you. They will take your money, add it to the portfolio, and create more shares. You always buy shares of an open-end fund from the fund company, never on the secondary market.
  - **Primary Risks:** Market, Concentration, Currency, Foreign Investment
- **Annuity** - is a long-term investment that is issued by an insurance company designed to help protect the annuitant from the risk of outliving the income generated by the annuity. Through annuitization, your purchase payments (what you contribute) are converted into periodic payments that can be paid out under various payment options, including a lifetime option.
- **Variable** - is a tax-deferred retirement contract that allows you to choose from a selection of investments, and then pays you a level of income in retirement that is determined by the performance of the investments you choose. Compare that to a fixed annuity, which provides a guaranteed payout.



- Main risks: Liquidity, Business
- **Indexed** - is a type of variable annuity contract that delivers cash flows to the annuitant based on the return of a stock index, such as the S&P 500. Indexed annuities give individuals the opportunity to enhance their annuity income, but fees and caps may limit the potential upside returned while protecting against severe market losses.
  - Main risks: Liquidity, Market, Business
- **Index Linked** - is a type of annuity contract that pays an interest rate based on the performance of a specified market index, such as the S&P 500. ... Indexed annuities are sometimes referred to as equity-indexed or fixed-indexed annuities.
  - Main risks: Liquidity, Market, Business
- **Fixed** - is a tax-deferred retirement vehicle where the money that is invested in the annuity is guaranteed to earn a fixed rate of return throughout the accumulation phase of the annuity (when money is being put into it).
  - Main risks: Liquidity, Inflation, Business
- **Structured Settlement** - is an alternative method of settling or converting the funds received from a claim or lawsuit by means of a combination of cash and future periodic payments. Payments are generally funded with a specialized commercial annuity and the payout can be customized for the Claimant's situation. A highly rated life insurance company issues the specialized annuity and administers the payments. The ownership and obligation to make the future payments generally lies in the hands of a third-party company known as an Assignee.
  - Main risks: Liquidity, Inflation, Business
- **529 Investment** - A 529 plan is a college savings plan that offers tax and financial aid benefits. 529 plans may also be used to save and invest for K-12 tuition in addition to college costs. The investments in 529 plans can include various mutual funds and ETFs and are offered as a single investment as well as in risk-based or enrollment (or age-based) portfolios.
  - Main risks: Market, Horizon, Concentration, Currency, Foreign Investment
- **1031 Exchange** – is a real estate exchange that gets its name from Section 1031 of the U.S. Internal Revenue Code, which allows the seller of an investment property to defer paying capital gains taxes when they sell and reinvest the proceeds from the sale within certain time limits in a property or properties of like kind and equal or greater value.
  - Main risk: Failure in completing the deal. Economic.



- **Hedge Fund** – is an alternative investment that is operated by a manager who invests the money into different assets to achieve the fund's goals. ... Hedge funds got their name from investors in funds holding both long and short stocks, to make sure they made money despite market fluctuations (called "hedging").
  - Main risks: Market, Liquidity, Concentration, Interest Rates, Currency, Business
- **Exchange Fund** - also known as a swap fund and is an arrangement between concentrated shareholders of different companies that pools shares and allows you to exchange your large holding of a single stock for units in the entire pool's portfolio.
  - Main risks: Market, Liquidity
- **Interval Fund** - is a type of investment company that periodically offers to repurchase its shares from shareholders. These shares typically do not trade on the secondary market. Instead, these shares are subject to periodic repurchase offers by the fund at a price based on net asset value.
  - Main risks: Liquidity, Market, Credit
- **Managed Futures** – is an investment where a portfolio of *futures* contracts is actively *managed* by professionals. *Managed futures* are considered an alternative investment and are often used by funds and institutional investors to provide both portfolio and market diversification.
  - Main risks: Market, Foreign Investment
- **Non-Traded REIT** - is a real estate investment designed to reduce or eliminate tax while providing returns on real estate appreciation. A non-traded REIT does not trade on a securities exchange and is therefore quite illiquid for extended periods of time.
  - Main risks: Liquidity, Concentration
- **Non-Traded BDC (Business Development Companies)** - is a pooled investment vehicle that invests in equity or debt of private companies just as a REIT invests in real estate.
  - Main risks: Liquidity, Concentration, Business
- **Private Equity Fund** – is a general partnership formed by Private equity firms to raise funds from institutions and wealthy individuals and then invest these funds through the purchase and sale of various businesses. After raising a specified amount, a fund will close to new investors; eventually each fund is liquidated, selling all the businesses therein within a preset time frame, usually no more than ten years.



- Main risks: Liquidity, Market, Business

When you are deciding whether to invest in a specific investment, make sure you obtain, review and discuss with your FP the documentation related to the investment which outlines the details of the investment (i.e.: documents such as prospectuses, annual reports and offering memorandums that discuss the structure of the investment, fees/costs, management, portfolio, restrictions, contributions, distributions, risks.) The documentation can be obtained from your FP or directly from the investment sponsor.

## **Section 9: PLATFORM:** **BROKERAGE BUSINESS:**

- **RBC Capital Markets** (RBC)– NFS acts on behalf of Andrew Garrett, Inc. as custodian for your brokerage account(s) (qualified and non-qualified) where you can deposit funds and buy investments. The types of investments usually purchased in brokerage accounts include Stocks, ETFs, Mutual Funds and Bonds. Andrew Garrett offers their full-service brokerage account Platform on both RBC and Charles SCHWAB.
- **Full-Service Platform** – This is Andrew Garrett's, brokerage Platform that allows you access to the following:
  - *Types of Accounts* – [\(See Section 7 for descriptions\)](#)
    - Non-qualified accounts (Individual, Joint, Custodial)
    - Qualified account (Traditional IRA, Roth IRA, Spousal IRA, Beneficiary IRA, SEP IRA, SIMPLE IRA, Guardian IRA, ESA)
  - *Types of Investments* – [\(See Section 8 for descriptions\)](#)
    - Stocks, Bonds, Notes, CDs, UITs, ETFs, Mutual Funds, Interval Funds
  - *Types of Service Relationships* – [\(See Section 6 for descriptions\)](#)
    - Brokerage Services, Advisory Services
  - *Platform Fees* – The fees associated with the Platform is dependent on the custodian your account is with as well as the type of account, investments and service relationship you select. The basic fees that you will be charged are fees such as: transaction fee, ticket charge, annual check writing fee, inactive account fee, account termination fee, account transfer fee, margin/option/reorganization fees, loan fee, investment expenses, FP's advisory fee / FP's commission, program fee. To get details about the fees, go to each program outlined below which are part of the Platform.



- *Programs* – Different programs are offered within the Full-service Platform and they vary by the types of accounts, investments and service relationships offered. Below are the different programs offered:

- ***Rollovers/Transfers:***

- You can rollover/transfer assets from another account into a program account. While there is no cost within the program to deposit the assets, there may be costs associated with the rollover/transfer of the assets from the account the assets are coming from. You should review this at the time you and your FP are discussing your rollover/transfer options.

- ***Compensation:***

- Your FP will obtain compensation from the A share class mutual funds you invest in through the sales charge and annual 12b-1 trailer of each mutual fund.
  - The mutual funds' sales charge compensation to your FP can be up to 5.5% depending on fees and breakpoints.
  - The 12b-1 trailer compensation to your FP can vary from 0-50 basis points/ year. Talk to your FP to get specifics details.

- ***Program Conflicts of Interest:***

- Your FP may have several conflicts of interest associated with the program depending on your financial situation. Here is material information about some possible situations:
  - Recommending you to rollover/transfer other assets that are currently not supported by your FP to your program account where the FP will receive compensation from the investments you invest in.
  - Recommending you to rollover/transfer retirement plan assets where you are a participant in the employer-sponsored retirement plan and your FP is a fiduciary to the same retirement plan.
  - Andrew Garrett does have several conflicts of interest associated with the program and here is material



information about them:

- **Retail** - This is Andrew Garrett's traditional brokerage program. This program offers you an expansive array of high-quality investment options from stocks, ETFs, bonds, UITs, Notes, CDs and mutual funds. You can set up individual, joint, non-qualified and qualified accounts. To join the program, you will enter into a client agreement through your FP and establish a brokerage account ("program account") on a fully disclosed basis with the Firm.
  - **Program Account fees:**
    - Here are the types of fees you will pay:
      - Setup fee, annual maintenance/custodial fee, account termination fee, account minimum fee, account inactivity fee, transaction fees, paper confirm/statement fee, contribution/deposit fee.
    - There are additional fees related to optional account features and services such as having a checking account option, Fed Fund wire, delivery of overnight check, Insufficient funds, margin account rates, etc.
  - **Rollovers/Transfers:**
    - You can rollover/transfer assets from another account into a program account. While there is no cost within the program to deposit the assets, there may be costs associated with the rollover/transfer of the assets from the account the assets are coming from. You should review this at the time you and your FP are discussing your rollover/transfer options.
  - **Compensation:**
    - Your FP obtains compensation from the stock and ETF purchases and sales that you make within the program account. The compensation will be based on the dollar amount invested and it will be equal to or less than a maximum dollar commission as it relates to the amount invested.
    - Your FP obtains compensation from the bond purchases and sales you make in within the program account. The compensation will be based on the dollar amount invested and the time to maturity. it will be equal to or less than a maximum dollar commission as it relates to the amount



invested & maturity time.

- Your FP obtains compensation from the note, CD & UIT purchases you invest in within your account. The compensation is predetermined by the investment issuer. Reach out to the issuer or ask your FP for this information.
- Your FP obtains compensation from the mutual funds you invest in through the sales charge and annual 12b-1 trail of each mutual fund.
  - The mutual funds' sales charge compensation to your FP can be up to 5.5% depending on fees and breakpoints.
  - The 12b-1 trailer compensation to your FP can vary from 0-50 basis points/ year. Talk to you FP to get specifics details.
- If you elect to be part of RBC Money Market Sweep Program within your account, Andrew Garrett receives trailer compensation from banks participating in the sweep program equal to a percentage of your deposit balance in your account. Your FP does not receive any portion of the fees paid by the Program Bank. For detailed information about the Sweep Program and the fees received talk to you FP to get specifics details.



- ***Program Conflicts of Interest:***

- Your FP may have several conflicts of interest associated with recommending a brokerage account depending on your financial situation. Here is material information about some possible situations:
  - Recommending you to rollover/transfer other assets that are currently not managed by your FP to your program account where the FP will receive compensation from these investments.

## **ADVISORY BUSINESS**

### **Asset Management:**

Andrew Garrett, Inc- Asset Management provides personal consultations to clients that are intended to address the client's individual questions, financial needs, and personal circumstances. The consulting services may encompass a wide variety of issues and topics, including investment recommendations. The consulting services may include the preparation of and/or updates to a written financial plan. The client has sole responsibility for determining whether to implement any recommendations made during any personal consultation or in a financial plan. The client may, but is not required to, implement any of the recommendations through Andrew Garrett as investment adviser or through any of its affiliates. If the client chooses to use Andrew Garrett or an affiliate to implement any recommendations, those activities are separate and distinct from the financial consulting services provided by Andrew Garrett under a consulting services agreement.